

AR52

Cal-Dale

CALVERT-DALE ESTATES LTD.



ANNUAL REPORT

1968

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REPORT to the Shareholders

Roy A. Nicholson, President



The year ended June 30, 1968 is the second consecutive year that your company has suffered a substantial loss. Under such circumstances it is difficult for me to portray to you the optimism with which we enter the 1968-1969 year. The net loss for this year amounted to \$212,745 in comparison to last year's loss of \$198,909. We had anticipated a much reduced loss this year, but as I inferred in my report to you in November, 1967, the task of reconstruction is time-consuming and costly in terms of sales dollars and production.

Sales showed a decline of 8.0% for several reasons. The company's system of distributing its flowers underwent considerable change, and sales were adversely affected during the changeover. Certain product lines were of inferior quality, and this, coupled with lower levels of wholesaling, resulted in reduced numbers of units available for sale.

Costs, on the other hand, were reduced 7.5%, despite the fact that many of the improvements and efficiencies were not implemented fully until late in the fiscal year.

A large portion of our costs relate to greenhouses and financing expenses and tend not to fluctuate with the volume of flowers sold. It is expected, therefore, that increased sales in the coming year through a more active wholesaling effort, will not increase overhead materially.

Looking at the year realistically, we must realize that the costs of any change are reflected immediately, although it may be many months, or even years, before the fruits of those changes become apparent.

In May 1968, the company's working capital position, which has long been a problem, became critical. It was necessary at that time to rearrange the current portion of the firm's financing in such a way that the company could operate in an efficient manner during the completion of its internal reorganization.

A financing and management plan was developed covering a two year period. The plan called for additional bank financing and the employment of W. R. Pierson, Jr. as general manager of the company. This plan was approved at a general meeting of shareholders held on June 26, 1968, and has been implemented.

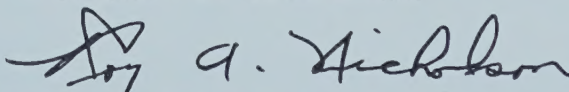
Mr. Pierson is a welcome addition to our company, and his extensive experience as general manager of an organization of similar size and type in the United States well qualify him for the position.

In 1968 the company sold vacant land for \$218,770. The company received \$54,695 cash and two mortgages totalling \$164,075 under the terms of the sale agreements. It is the intention of management to phase out of production some of the older greenhouses during the current fiscal year.

As we proceed further into the 1968-1969 year with additional bank financing, and with the infusion of Mr. Pierson's background and ability, we should begin to see the effects of the reorganization.

This year in particular, I would like to record my appreciation to all our employees whose co-operation and support have played, and will continue to play, an important part in the development of the company.

On behalf of the Board of Directors



ROY A. NICHOLSON,
President.
Brampton, Ontario,
October 1, 1968.



**Calvert-Dale Estates Limited
and subsidiary companies**

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

June 30, 1968

ASSETS		
CURRENT:	1968	1967
Cash	\$ 4,210	\$ 17,620
Accounts receivable	645,922	815,500
Inventories of resale merchandise and production supplies valued at the lower of cost or net realizable value	506,033	607,146
Prepaid expenses	40,013	24,383
	1,196,178	1,464,649
MORTGAGES RECEIVABLE (note 2)	453,433	291,358
FIXED (note 3):		
Land, buildings and equipment at cost less accumulated depreciation	1,782,332	1,899,076
OTHER:		
Sundry deposits	28,590	23,549
Deferred planting expenses (note 7)		106,602
Growing crops, patents and trademarks	1	1
	28,591	130,152
	\$3,460,534	\$3,785,235

On behalf of the Board:

R. A. NICHOLSON
Director

W. R. PIERSON, JR.
Director

See accompanying notes

LIABILITIES

CURRENT:

	1968	1967
Bank indebtedness (note 4)	\$ 909,200	\$ 783,193
Accounts payable and accrued charges	409,108	452,984
Sales and other taxes payable	27,583	22,361
Long term debt payments due within one year	84,500	160,000

	1,430,391	1,418,538
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LONG TERM DEBT (note 5)	1,623,527	1,754,686
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SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 6):

Authorized—1,000,000 shares without par value		
Issued — 625,007 shares	1,358,757	1,358,757

CONTRIBUTED SURPLUS	7,500	7,500
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	1,366,257	1,366,257
DEFICIT	959,641	754,246

	406,616	612,011
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	\$3,460,534	\$3,785,235
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AUDITORS' REPORT TO SHAREHOLDERS

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and its subsidiaries as at June 30, 1968 and the statements of consolidated income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Since we were not the auditors of the company for its 1967 fiscal year, we were not in a position to observe the physical taking of inventory at the end of that year, as to which we have satisfied ourselves by examination

of the relative working papers of the chartered accountants who were the auditors of the company at that time.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, except for the change in accounting for deferred planting expenses referred to in note 7 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada,
August 20, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Income

Year Ended June 30, 1968

	1968	1967
Sales	\$5,679,712	\$6,173,978
Income before the following items	\$ 43,862	\$ 84,365
Depreciation	112,709	119,036
Interest on long term debt	125,724	139,031
Other interest	53,278	43,460
	291,711	301,527
Loss before interest earned	247,849	217,162
Interest earned	35,104	18,253
Net loss for the year	\$ 212,745	\$ 198,909

Consolidated Statement of Deficit

Year Ended June 30, 1968

	1968	1967
Deficit at beginning of year	\$ 754,246	\$ 280,743
Add:		
Loss for the year	212,745	198,909
Deferred planting expenses written off (note 7)	106,602	
Vacation pay adjustment		32,000
Intangible assets written off		245,439
	1,073,593	757,091
Deduct gain on disposal of land	113,952	2,845
Deficit at end of year	\$ 959,641	\$ 754,246

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Consolidated Statement of Source and Application of Funds

Year Ended June 30, 1968

	1968	1967
SOURCE OF FUNDS:		
Sale of land	\$ 215,444	\$ 3,445
Issue of shares		18,750
	<u>215,444</u>	<u>22,195</u>
 APPLICATION OF FUNDS:		
Operations —		
Loss for the year	212,745	198,909
Depreciation, a provision not requiring an outlay of funds	112,709	119,036
	<u>100,036</u>	<u>79,873</u>
Repayment of long term debt	131,159	155,385
Increase in mortgages receivable	162,075	(2,000)
Purchase of fixed assets (net)	97,457	50,119
Increase in sundry deposits	5,041	23,549
Increase in deferred planting expenses		23,671
Vacation pay adjustment		32,000
	<u>495,768</u>	<u>362,597</u>
Decrease in working capital	280,324	340,402
Working capital at beginning of year	46,111	386,513
Working capital (deficiency) at end of year	<u>\$ (234,213)</u>	<u>\$ 46,111</u>

Cal-Dale Calvert-Dale Estates Limited

Notes to Consolidated Financial Statements

June 30, 1968

1. BASIS OF CONSOLIDATION

The consolidated financial statements reflect the combined financial position and operations of Calvert-Dale Estates Limited and its wholly-owned inactive subsidiary companies, Dales of Brampton Limited, H. C. McKinney, Ltd., and Growers' Wholesale Florists Inc.

2. MORTGAGES RECEIVABLE

	1968	1967
5 1/4% due February 1, 1973	\$ 268,358	\$ 268,358
7% due \$2,000 each year to 1969, balance due September 1, 1970	21,000	23,000
7 1/2% due \$2,000 each year to 1972, balance due June 30, 1973	25,500	
7 1/2% due \$4,000 each year to 1972, balance due June 30, 1973	138,575	
	<u>\$ 453,433</u>	<u>\$ 291,358</u>

Note: The mortgages receivable have been assigned as collateral security for the 7 1/2% mortgages payable January 1, 1980.

3. FIXED ASSETS

	Cost	Accumulated Depreciation	Net book value	
			1968	1967
Land	\$ 705,097		\$ 705,097	\$ 806,043
Buildings	1,283,166	\$ 344,394	938,772	927,490
Machinery and equipment	243,194	156,186	87,008	96,563
Motor vehicles	114,386	81,940	32,446	49,179
Roadways	21,924	2,915	19,009	19,801
	<u>\$2,367,767</u>	<u>\$ 585,435</u>	<u>\$1,782,332</u>	<u>\$1,899,076</u>

4. BANK INDEBTEDNESS

The bank indebtedness of \$909,200 is secured by a general assignment of book debts, crops pledged under Section 88 of the Bank Act, a floating charge debenture and a collateral mortgage subordinated to prior mortgages on the company's real estate.

The bank also holds a mortgage bond in the amount of \$300,000 that has been hypothecated with it as collateral security for the long term bank loan referred to in note 5 below. Under certain circumstances the bank has the right to require earlier repayment of this loan. The principal repayment of \$25,000 due September 3, 1968 has been waived.

5. LONG TERM DEBT

	Original Borrowing	Outstanding	
		1968	1967
Mortgages (a)			
7 1/2% due January 1, 1980, payable \$8,500 quarterly	\$ 500,000	\$ 363,453	\$ 423,375
7 1/2% due January 1, 1980, payable \$6,500 quarterly	400,000	299,574	346,311
6% due January 1, 1975, payable \$50,000 annually	500,000	350,000	400,000
Convertible Debentures (b)			
7 1/4% sinking fund debentures maturing December 15, 1976, annual sinking fund instalment of \$20,000	350,000	270,000	290,000
7% subordinated debentures maturing October 1, 1974	150,000	150,000	150,000
Notes payable (unsecured)			
6% repayable \$5,000 in each of the years 1969 to 1973	50,000	25,000	30,000
Bank Loan			
Repayable \$25,000 each year to 1972, balance payable September 3, 1973 (note 4)	300,000	250,000	275,000
	<u>\$2,250,000</u>	<u>1,708,027</u>	<u>1,914,686</u>
Less amounts due within one year, included with current liabilities		84,500	160,000
		<u>\$1,623,527</u>	<u>\$1,754,686</u>

(a) Proceeds from land sales have been applied as prepayments of the 7½% mortgages, thereby reducing the payments required on these mortgages in the year ending June 30, 1969.

(b) The 7¼% sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 4% until December 15, 1968 and thereafter at premiums declining annually by ½ of 1% until December 15, 1975 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$3.66 per share until December 15, 1971 and \$5.66 per share thereafter until December 14, 1976.

The 7% subordinated debentures may be called for redemption at a premium of 3½% until September 30, 1968 and thereafter at premiums declining annually by ½ of 1% until September 30, 1973 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$1.11 per share until September 30, 1974.

6. SHARE CAPITAL

(a) Reservation of shares

203,250 shares are reserved for possible issue upon the exercise of warrants presently outstanding. Such warrants entitle the holders thereof to purchase shares at a price of \$3.69 per share until December 15, 1970, the expiry date.

208,905 shares are reserved for possible conversion of the debentures referred to in note 5.

(b) Under the terms of a financing and management plan approved by the directors and ratified at a meeting of the shareholders on June 26, 1968, the company agreed to issue 100,000 fully paid and non-assessable shares to each of two directors in consideration for guarantees totalling \$500,000 provided in respect of the company's bank indebtedness. The issue of these shares has been authorized and

when issued the shares are to be held in escrow until June 30, 1970.

The prices for conversion of debentures and exercise of warrants, and the number of shares required to be reserved in connection therewith, as set out in notes 5(b) and 6(a) above, have been calculated in accordance with the terms of the respective trust indentures, after giving effect to the issuance of these shares.

(c) On July 2, 1968 the company obtained supplementary letters patent increasing the authorized capital by creating an additional 500,000 shares without par value, ranking on a parity with the existing 1,000,000 shares.

7. CHANGE IN ACCOUNTING PRACTICE

In prior years the company followed the policy of deferring costs attributable to growing crops which had not produced revenue at the year end. In the opinion of management, this policy is not in accordance with accounting practice generally followed in the industry. Accordingly the balance of deferred planting expenses of \$106,602 at July 1, 1967 was charged to deficit as at that date and the company does not intend to defer such expenses in future. Had a consistent deferral policy been followed at June 30, 1968 the loss for the year would have been reduced by \$16,000.

8. LONG TERM LEASES

Under contractual obligations with respect to leased premises the company is committed to aggregate annual rentals of approximately \$89,300 to 1975 and \$79,300 thereafter to 1986.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

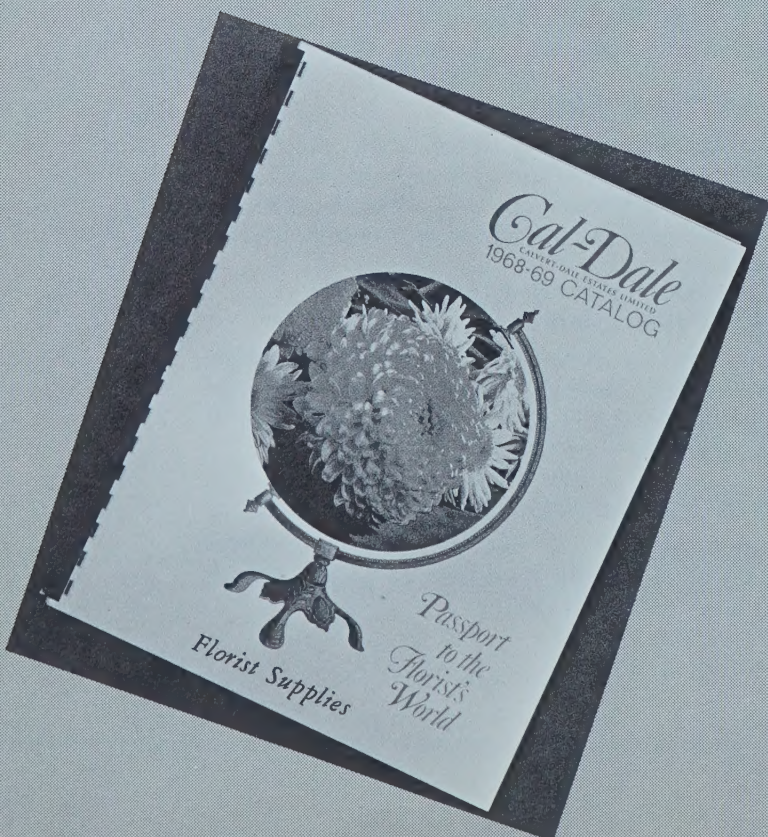
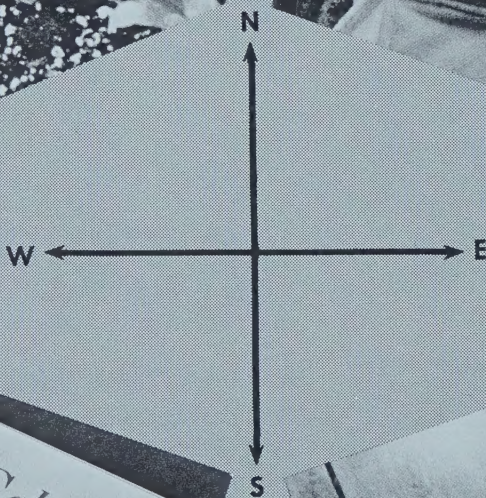
Remuneration of directors and senior officers (as defined under The Corporations Act, Ontario) amounted to \$103,855 in the year, including \$1,350 paid as directors' fees.

10. EVENTS SUBSEQUENT TO THE YEAR END

Subsequent to June 30, 1968 the company entered into a contract for the modification of its heating system at a cost of \$50,000.

Cal-Dale

The Florist's World



Cal-Dale

Calvert-Dale Estates Limited

DIRECTORS

W. A. Beatty

J. A. Crawford, C.A.

M. Gaasenbeek*

P. Latchman*

B. R. P. MacKenzie, Q.C.

Miss P. Marsolais

R. A. Nicholson*

W. R. Pierson, Jr.*

W. V. Smith, C.A.

A. H. Zaldin, Q.C.*

*Members of Executive Committee

OFFICERS

R. A. Nicholson, *President*

W. R. Pierson, Jr., *General Manager*

Miss P. Marsolais, *Vice-President*

W. J. Walker, C.A., *Treasurer and Asst. General Manager*

G. D. Stephens, C.A., *Controller*

A. H. Zaldin, Q.C., *Secretary*

AUDITORS

Clarkson, Gordon & Co.

BANKER

Toronto-Dominion Bank

LISTED ON

Toronto Stock Exchange

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company, Toronto

LOCATIONS

Greenhouses and head office—Brampton, Ontario

Wholesale branches—London, Ontario

Montreal, Quebec

Toronto, Ontario

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Walker: Treasurer.

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in Town of Brimley - can estimate with \$2. million
last sales estimate in Brimley -
on boats at 500,000 value 6 years ago.

Average - 125 acres in Town of Brimley
175 acres outside Town.

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Town Plan shows some
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for some of land
for 180 Dunes

Outlook
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Person - hoped to have seen for many years - with 120
of being on Target - best we can do in current year,

Solicitation of Proxies

The information contained in this circular is furnished in connection with the solicitation by the management of Calvert-Dale Estates Limited (the "Company") of proxies to be used at the annual meeting of the shareholders of the Company called for the purposes set forth in the accompanying notice of meeting and to be held in Rooms 4, 5 and 6 on the 11th floor of the Board of Trade Building, 11 Adelaide Street West, Toronto, Ontario on Thursday, November 7, 1968 at 4:00 o'clock in the afternoon and at any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail. The cost of such solicitation will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so**, either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company before the time of the meeting. The by-laws of the Company provide that the person to whom the proxy is granted need not be a shareholder of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company before the time of the meeting, or (b), as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the directors' report and financial statements, and for the election of directors and the appointment of auditors as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters which are not now known to the management should properly come before the meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

Voting Shares and Principal Holders Thereof

Only holders of shares without par value of the Company will be entitled to vote at the meeting. Each holder of a share of the Company of record on November 7, 1968, the date of the meeting, is entitled to one vote for each such share held. As at October 8, 1968, 825,007 shares of the Company were outstanding.

Mr. Roy A. Nicholson beneficially owns 251,800 shares of the Company, which represents approximately 30.5% of the outstanding equity shares of the Company. Mrs. Jane K. Pierson beneficially owns 100,000 shares of the Company, which represents approximately 12.1% of the outstanding equity shares of the Company.

The date of the mailing of this information circular and the accompanying notice of meeting and form of proxy will be the record date for the determination of the persons who shall receive notice of the meeting.

Election of Directors

The board consists of 10 directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, nine of whom are now members of the board of directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The Company has taken cognizance of a voting trust agreement dated the 28th day of May, 1968 between Canada Permanent Trust Company, Roy A. Nicholson, Wallace R. Pierson, Jr. and other shareholders who become parties to the said agreement as subscribers thereto which provides, amongst other things, that the shares subject to the voting trust shall be voted with the intent that the majority of the board of directors shall be nominees of Mr. Pierson and that the balance of the board of directors shall be nominees of Mr. Nicholson. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table states the names of all of the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of common shares of the Company beneficially owned directly or indirectly by each of them as of October 8, 1968:

Name and Present Principal Occupation	Year First Became Director	Approx. No. of Shares Owned
JAMES A. CRAWFORD, C.A., of Stoney Creek, Ontario, director and Secretary-Treasurer of Roy A. Nicholson Limited and Ranco Container Products Limited	1967	100
MATTHEW GAASENBEEK, of Toronto, Investment Dealer, A. E. Ames & Co. Formerly Special Consultant to External Aid Office, Government of Canada	1964	100
PHILIP LATCHMAN, of Toronto, Ontario, President and General Manager of Federal Farms Limited	1961	500
B. R. P. MacKENZIE, Q.C., of Toronto, Ontario, senior member of the legal firm of Fasken & Calvin	1961 and 1966	400
ROY A. NICHOLSON, of Burlington, Ontario, President of the Company since May, 1967. President of Roy A. Nicholson Limited and Ranco Container Products Limited	1966	251,800
WALLACE R. PIERSON, Jr., of Brampton, Ontario, General Manager of the Company since May, 1968. Formerly Treasurer, and General Manager and chief executive officer of A. N. Pierson, Inc., of Cromwell, Connecticut	1968	500
JANE K. PIERSON, of Brampton, Ontario, Investor	1968	100,000
W. VERNON SMITH, C.A., of Hamilton, senior member of the accounting firm of Smith, Nicholson and Lane	1967	100
JOHN CHARLES STRADWICK, of Hamilton, President of Stradwick Investments Ltd.	—	23,000
ARTHUR H. ZALDIN, Q.C., of Toronto, Ontario, senior member of the legal firm of Zaldin and Fine, Secretary of the Company	1964	500

The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

Remuneration of Management

Directors who are not in the employ of the Company are paid a director's fee of \$75 per meeting for each meeting attended. Save as aforesaid, directors as such receive no remuneration for their services. During the fiscal year ended June 30, 1968 the aggregate direct remuneration paid or payable by the Company and its subsidiaries to all senior officers as a group was \$102,505 and the estimated aggregate cost to the Company and its subsidiaries of all pension benefits proposed to be paid to senior officers as a group under the Company's normal pension plan in the event of retirement at normal retirement age, directly or indirectly was \$700.

Stock Options

No options have been granted by the Company since June 11, 1963, and no one has at any time purchased any shares of the Company pursuant to stock options.

Interest of Management in Material Transactions

The President of the Company is the President, a director and controlling shareholder of Roy A. Nicholson Limited and Ranco Container Products Limited from whom the Company purchases materials and

supplies and with whom the Company enters into contracts from time to time. The President has filed a general disclosure of interest statement with the board of directors, and in addition thereto files with the board of directors statements setting forth month by month the particulars of transactions, agreements and contracts entered into with the Company during each month together with a certification that with respect to each and every of such transactions, agreements and contracts the price, terms, quality and service arrangements in connection therewith are at least as good as or equal to such as were then available from competitors under all the circumstances. All of such transactions, agreements and contracts are reviewed and considered at each meeting of the board of directors of the Company. Mr. James A. Crawford, who is a director of the Company, is a director and Secretary-Treasurer of Roy A. Nicholson Limited and Ranco Container Products Limited. He has also filed a general disclosure of interest statement. He co-signs the aforesaid monthly statements and certifications together with Mr. Nicholson.

On May 28, 1968 the directors passed and adopted the Financing and Management Plan, full particulars of which are set forth in the information circular of the Company dated as of June 10, 1968. The Plan provided, amongst other things, that Mr. Roy A. Nicholson and Mrs. Jane K. Pierson guarantee the liability of the Company to its banker in the aggregate amount of \$500,000, that in consideration for such guarantees the Company issue to each of the guarantors 100,000 shares without par value of the Company as fully paid and non-assessable, such shares to be placed and held in escrow until June 30, 1970, that Mr. Wallace R. Pierson, Jr. be appointed General Manager of the Company and enter into a management contract for the period from May 28, 1968 to June 30, 1970 and that the Company take cognizance of a voting trust agreement dated the 28th day of May, 1968 pursuant to which approximately 350,000 shares of the Company are subject to a voting trust. On June 26, 1968 the shareholders of the Company approved, ratified, sanctioned and confirmed the said Financing and Management Plan, and the Plan has been implemented.

Recent Stock Market Activity

The directors have no knowledge of any material change or any fact or circumstance which would warrant or explain the sudden active trading in the Company's stock which commenced about the middle of September, 1968.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Clarkson, Gordon & Co., Chartered Accountants, as auditors of the Company to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the board of directors. Messrs. Clarkson, Gordon & Co. were first appointed auditors of the Company on December 28, 1967.

BY ORDER OF THE BOARD.

DATED as of October 8, 1968.

ARTHUR H. ZALDIN, Q.C.
Secretary